



## China, the Philippines, and U.S. Influence in Asia

By Renato Cruz De Castro

During his January 2007 visit to Manila, Chinese premier Wen Jiabao and Philippine president Gloria Macapagal-Arroyo declared that Sino-Philippine relations are experiencing a “golden age of partnership” as the two countries upgrade bilateral cooperation and launch more dialogues on political, defense, and sociocultural affairs.<sup>1</sup> This visit underscored the ongoing, rapid improvement in bilateral relations since Arroyo’s state visit to Beijing in 2004 and the prospect that the Philippines may be turning from the United States toward China as its main security and economic partner in Asia.

A Sino-Philippine strategic partnership seemed unimaginable just a decade ago, when the two countries were locked in a territorial dispute over shoals in the South China Sea. In 1995, Filipino fishermen discovered Chinese-built structures on Mischief Reef, a small, rocky islet located in the Spratly Islands 135 miles west of the Philippine island of Palawan and well inside the Philippines’ 200-mile exclusive economic zone. The Philippine government condemned the structures as inconsistent with international law and the spirit of the 1992 Association of Southeast Asian Nations (ASEAN) Declaration on the South China Sea,<sup>2</sup> to which both countries are signatories. China ignored the Philippine protest and exacerbated the situation in late 1996 by repairing and fortifying the Mischief Reef structures in the face of further Philippine diplomatic protests. Manila responded to Beijing’s actions by reinvigorating its defense ties with Washington, and the two sides seemed to be settling in for a permanent, simmering dispute.

But by 2005, all seemed forgotten as Arroyo and her new Chinese counterpart, President Hu Jintao, declared that their countries’ bilateral relations had reached a new plateau of partnership.<sup>3</sup>

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The two countries now insist that further improvements in bilateral relations will serve not only their fundamental national interests, but also the overall peace, stability, and prosperity of the region.<sup>4</sup> This *Asian Outlook* examines how China was able to transform its contentious relationship with the Philippines into a cooperative one and how this development may affect the U.S.-Philippine security relationship in the twenty-first century.

### Preventing Strategic Containment

When then-Chinese premier Zhou Enlai and then-Philippine president Ferdinand Marcos signed the June 1975 Joint Communique of the People’s Republic of China and the Government of the Republic of the Philippines,<sup>5</sup> they reestablished ambassadorial-level ties after nearly thirty years of mutual nonrecognition and animosity. In 1986, the two governments established a bilateral consultation mechanism to address regional and international issues of mutual concern and began high-level visits and exchanges in the early 1990s. After almost a decade of diplomatic exchanges and political consultations, however, the two countries’ overall relations were described as “cordial at the political level and only limitedly successful at the economic level.”<sup>6</sup> The superficiality in Sino-Philippine

relations could be attributed to the fact that the relationship had been based on sheer realpolitik.

Manila established diplomatic ties with Beijing primarily because it sought to end Chinese support for the Filipino Communist movement and bolster its own non-aligned credentials in dealings with the Communist world. These objectives were constrained by an overriding strategic consideration: Manila has always viewed Beijing as a long-term security challenge. Concern over China's long-term intentions made the Philippines (along with other ASEAN states like Malaysia and Indonesia) extremely nervous about the possibility that China would provide assistance to Communist insurgencies in Southeast Asia, hasten its naval buildup, and pursue irredentist claims in the South China Sea.<sup>7</sup> This lingering fear of China prevented Manila from pursuing a broader bilateral agenda.<sup>8</sup> Simultaneously, the focus on economic cooperation and the healthy state of Sino-American relations helped create a positive image for the Sino-Philippine relationship.<sup>9</sup>

Developments in the mid-1990s forced both countries to reexamine their relationship. Beijing's promulgation of a territorial law claiming a large portion of the South China Sea in 1992, followed by the Mischief Reef discovery in 1995, were both shocks to Manila. The tension over Mischief Reef temporarily subsided in May 1996, when the two sides signed a code of conduct regarding the deployment of forces in the area and China reportedly ordered its warships to steer clear of the disputed maritime territory.

The dispute flared up again in early 1997, however, when a skirmish erupted between the Chinese navy and Philippine warships sent to investigate reports that the structures on Mischief Reef had been upgraded.<sup>10</sup> The following year, the tension was further inflamed when eight Chinese warships were sighted around Mischief Reef and a new structure was built on a reef six miles off the Philippine-held Kota Island in the Spratlys. Philippine defense secretary Orlando Mercado accused China of "creeping assertiveness" and of applying a policy of "talk and take" in the South China Sea.<sup>11</sup> Beijing's apparent policy of seizing territory while avoiding actual conflict reinforced the Philippine view that China posed a long-term security challenge.

By the mid-1990s, Manila understood that a militarily strong and irredentist China was knocking on its door. It also recognized the importance of an American military presence to maintain the balance of power in Southeast Asia.<sup>12</sup> The Mischief Reef dispute caused public perception to shift in favor of a proposed Visiting Forces Agree-

ment (VFA) with Washington, despite warnings from American defense officials not to expect automatic U.S. assistance in the event of a conflict in the South China Sea. Reflecting this changing perception, the Philippine senate ratified the U.S.-Philippine VFA in 1999, providing a legal framework for the treatment of U.S. troops participating in defense-related activities covered by the 1951 Mutual Defense Treaty, and effectively reviving military cooperation between the allies after a post-Cold War chill.

In addition, Manila saw improved security ties with Washington as vital in getting American support for the modernization of the ill-equipped Armed Forces of the Philippines (AFP).<sup>13</sup> The 1999 VFA revitalized the two countries'

negotiations to create an effective security assistance program to meet the requirements of the AFP in the face of China's rapidly modernizing military. Washington extended modest assistance to develop the AFP's operational and maintenance capabilities through the transfer of excess defense articles, continued funding Manila's foreign military financing for equipment purchases, and expanded the number of slots for Philippine troops in the International Military Educational Training Program.

China did not want to see its political ties with the Philippines deteriorate over the Spratlys and Manila's efforts to strengthen its security relations with Washington. China was alarmed when, during the senate debate regarding the VFA, the Philippine government openly argued that the U.S. presence in East Asia served as a deterrent against Chinese expansion in the South China Sea.<sup>14</sup> From 1996 to 2000, Beijing consistently disavowed any intention to dominate Southeast Asia and campaigned for the ASEAN states to accept a substantial Chinese naval presence in regional waters as a matter of course.<sup>15</sup> It was also extra tactful in efforts to press its claim to the Spratlys, and Chinese leaders tried to defuse the Mischief Reef incident. In March 1996,

China and the Philippines held their first annual vice-ministerial talks to resolve problems caused by the conflicting claims to the Spratlys.<sup>16</sup> Earlier, in 1995, Beijing agreed to discuss South China Sea matters on a multilateral basis with ASEAN. Beijing also indicated that it would abide by international law in settling the territorial dispute with the other claimant countries (Malaysia, Taiwan, and Vietnam), and it signed an agreement with Manila on further confidence-building measures, shelving the dispute temporarily in favor of joint development.<sup>17</sup>

After former defense secretary Renato De Villa's July 1996 visit to Beijing, the countries agreed to exchange military attachés in their respective capitals, marking the beginning of formal Sino-Philippine military relations—only one year after the initial Mischief Reef incident. Relations between the Philippine and Chinese defense establishments promptly began with a series of high-level official visits, intelligence exchanges, and ship visits.<sup>18</sup> In September 1996, the People's Liberation Army (PLA) chief of the general staff, General Fu Quanyu, visited the Philippines, followed by former AFP chief of staff General Arturo Enril's visit to Beijing one month later. In March 1997, a pair of PLA ships made an inaugural port call in Manila. In October 1999, the AFP and the PLA held their first intelligence exchange in the Philippines, followed by another in Beijing in October 2000.

From 1998 to 2000, China and the Philippines held frequent high-level meetings and state visits that enabled them to exchange views and coordinate positions on bilateral concerns as well as on major international and regional issues. During former Philippine president Joseph Estrada's state visit to Beijing in May 2000, the two countries signed a joint statement on bilateral cooperation for the twenty-first century.<sup>19</sup> That agreement laid down a strategic direction for Sino-Philippine cooperation in many areas and provided the political framework for strengthened bilateral consultations between the two countries on defense and diplomatic issues. The following year, Manila and Beijing agreed to conduct a tabletop exercise on search-and-rescue operations during the Third Philippines-China Experts Group Meeting on Confidence Building Measures in Manila.<sup>20</sup> The exercise was meant to build mutual trust between the two countries and paved the way for a maritime cooperation agreement signed on April 27, 2005.

These concessions to the Philippines were extended primarily because of China's calculation that the Philippines, along with other Southeast Asian states that were wary of Chinese intentions, might align with Washington

against China in a Taiwan Strait crisis.<sup>21</sup> And while Beijing did not expect its territorial dispute over the Spratlys to be resolved in the near future, it feared that armed clashes affecting freedom of navigation in the South China Sea could invite an American military response. Since the Third Taiwan Strait Crisis in 1996, the region had seen a gradual formalization of increased U.S. military access in Philippine territory, while senior Philippine defense officials consistently played up the link between U.S. military presence and the Spratlys dispute.<sup>22</sup> In response, Beijing assumed that maintaining a peaceful and stable regional environment would prevent Washington from increasing its forward military presence and strengthening its bilateral security alliances—steps toward the containment of China. This goal could be achieved only by cultivating dialogue and mutual trust between Beijing and Manila. By preventing the Spratlys disputes from seriously damaging its relations with the Philippines, China was able to pursue its regional goals while warding off any American containment efforts.<sup>23</sup>

## From Terrorism to Entente

Beijing's efforts in Southeast Asia were thrown into doubt after the 9/11 attacks and the subsequent creation of a U.S.-led global coalition against international terrorism triggered the revitalization of the U.S.-Philippine alliance. In the aftermath of 9/11, Arroyo quickly offered Washington access to the former U.S. facilities at Clark Air Base and Naval Base Subic Bay for exigent military operations. Her declaration of support for the War on Terror injected a new dynamism into the fifty-year-old alliance, and the two sides quickly acted upon November 2001 talks between Arroyo and President George W. Bush on how U.S. forces could help train Philippine forces and provide them with logistic, intelligence, and communications support in the AFP's campaign against the Abu Sayyaf Islamic terrorist group.

The two allies formulated a plan that provided for robust training for the AFP, equipment needed to increase AFP mobility, and the creation of a new bilateral defense consultative mechanism. Washington pledged to increase foreign military financing for Manila from \$1.9 million to \$19 million for fiscal year 2002. The Bush administration also decided to send 200 U.S. troops for a two-and-a half-week joint exercise with Philippine forces and 190 Special Forces officers to train the AFP in counterterrorism tactics. These moves were

part of Washington's effort to solidify U.S. military links to Southeast Asia in order to prevent the region from becoming a haven for international terrorists.<sup>24</sup> This development, in turn, resuscitated the U.S.-Philippine alliance, which has been moribund since the withdrawal of American forces from Philippine bases in November 1992.

Instead of being intimidated by the revived U.S.-Philippine security relationship, China decided to join the counterterrorism bandwagon. A year after 9/11, Beijing offered to cooperate with Manila in "all fields of defense and the armed forces which facilitate stability and the development of the region and the world at large." During his visit to Manila on September 27, 2002, Chinese defense minister Chi Haotian stated that the PLA was ready to undertake joint operations to promote better relations between the two countries.<sup>25</sup> Chi also assured his Philippine counterpart, then-defense secretary Angelo Reyes, that China attached great importance to developing friendly relations with the Philippines, and the two defense officials expressed their mutual satisfaction over the two countries' improving defense relations.<sup>26</sup>

Beijing also used Chi's visit to propose a wide range of cooperative ventures with Manila, including military training, exchange of students, information exchange on counterterrorism, and provision of military equipment. Through this engagement, China has tried to prevent the United States from strategically boxing it in after an increased American military presence in South and Southeast Asia in light of the War on Terror.<sup>27</sup> The proposal for counterterrorism cooperation was intended as a confidence-building measure. In 2003, China invited the Philippines to join the Shanghai Cooperation Organization, which was then billing itself as an antiterrorism coalition. The two countries signed a number of Memoranda of Understanding to address such nontraditional security challenges as the illicit traffic of narcotic drugs and transnational crimes. China and the Philippines also agreed to meet such challenges through the ASEAN Regional Forum. Furthermore, the PLA has regularly invited AFP officers to attend courses in the PLA School and the National Defense Universities. As a goodwill gesture to a neighboring country, Beijing has made a point of extending military exchanges to Manila

and providing the AFP with personnel training and logistical support.<sup>28</sup>

The pace of the two countries' security cooperation increased dramatically when Philippine troops withdrew from Iraq in July 2004 in exchange for the release of kidnapped Filipino truck driver Angelo de la Cruz. Arroyo's concession to terrorist demands angered Washington

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and quickly chilled U.S.-Philippine relations. A few weeks later, her long-planned "working visit" to Beijing was upgraded to a state visit, fueling speculations that she was playing "the China card" against Washington.<sup>29</sup> In Beijing, Arroyo and Wen identified key areas of defense cooperation, such as sea rescue, disaster mitigation, and training exchanges. They also agreed to further strengthen the level of political confidence between the AFP and the PLA.

In November 2004, Philippine defense secretary Avelino Cruz and his Chinese counterpart signed a Memorandum of Understanding on Defense Cooperation. Reportedly, the PLA proposed more military exchanges, the setting of a consultation mechanism, enhancement of cooperation against terrorism and other internal security threats, and a joint military exercise. In

addition, Beijing agreed to provide RMB10 million in nonlethal military assistance to the Philippines.

As a consequence of these efforts, defense relations between the PLA and the AFP have dramatically improved. Philippine troops have attended courses in China on language training, military security management, command, and special operations command. China has also donated a total of RMB20 million in military equipment and supplies—primarily engineering equipment—to the Philippines in the last two years. The two armed forces have been conducting intelligence and policy exchanges, characterized by PLA deputy chief of general staff Xiong Guangkai's visit to Manila to attend the inaugural Sino-Philippine annual defense and security dialogue.

Security ties between Manila and Beijing have also bolstered and been bolstered by closer economic and political relations. Xiong's visit resulted in an agreement to establish confidence-building measures in fisheries and marine environments. Arroyo agreed earlier in Beijing that the two countries' national oil companies—the

Philippine National Oil Company and the China National Offshore Oil Company—should conduct joint marine seismic tests near disputed islands in the South China Sea. Economic incentives have allowed the two parties to set aside their competing territorial claims in the South China Sea.

Meanwhile, trade between the two countries increased from \$17.6 billion in 2005 to \$23.4 billion in 2006—an increase of 33.3 percent, leaving Manila with a healthy trade surplus.<sup>30</sup> China has invested heavily in the Philippine agricultural and mining sectors, and has invested \$450 million in the rehabilitation of the North Luzon Railway System.<sup>31</sup> These growing ties with Beijing will constrain Manila's ability to conduct any security initiative with Washington that may be construed as thwarting Chinese strategic moves in East Asia or that may appear to be "an anti-China alliance."<sup>32</sup> Simply put, the Sino-Philippine relationship has taken on dimensions that simply did not exist as recently as a decade ago—and it is still undergoing rapid change.

## In the Crosshairs of Beijing's Charm Offensive

The improvement in Beijing's relationship with Manila is but one part of its broader "charm offensive" in Southeast Asia aimed at shaping regional views of China's rise and applying soft power to erode American strategic influence in the region.<sup>33</sup> Through its rapidly growing economic links and adroit diplomacy, Beijing has ameliorated the perception in Southeast Asia that China is a regional security threat. China began its soft-power statecraft in Southeast Asia during the 1997 financial crisis. The crisis provided an opportunity for China to demonstrate its political and economic value as an ASEAN partner—and even a regional leader.<sup>34</sup> Taking advantage of region-wide disappointment with the American and Japanese responses to the crisis, China financially assisted the stricken Southeast Asian states and promised not to devalue the yuan, avoiding another round of competitive depreciation of the region's currencies.<sup>35</sup>

Through its soft-power statecraft, China stresses mutuality of interests, the idea of multipolarity in international affairs, and the peaceful resolution of international

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conflicts, while publicly downplaying a desire to dominate Southeast Asia.<sup>36</sup> "Benign Beijing" was on display during the first China-ASEAN workshop on regional security held in July 2006. More than thirty senior defense officials from the PLA and Southeast Asian states discussed issues of mutual concern: regional security, East Asian maritime cooperation, counter-terrorism exercises, and peacekeeping.<sup>37</sup> Beijing's soft-power approach fits in well with the Southeast Asian states' preferred way of business. This approach does not undermine "the ASEAN way" in security matters, which is premised on noninterference, building consensus through consultation, and not using force or the threat of force to settle international disputes.<sup>38</sup>

China's New Security Concept (NSC) further promotes ASEAN's efforts to formulate a set of ideas and rules of acceptable conduct rather than arms buildups or alliances as the principal means of deterring aggressive behavior while preserving regional equilibrium and counterbalancing U.S. hegemony.<sup>39</sup> Announced in 1998, the NSC provides a framework for China's new foreign

policy based on the need to create an international environment favorable to its economic reforms and modernization efforts.<sup>40</sup> According to Beijing, the concept is well-suited to what it claimed to be a new post-Cold War environment characterized by peace and development in which threats are nontraditional. The NSC subtly conveys the idea that American security alliances are from a previous era indicative of a Cold War mentality. It decries hegemony, power politics, aggression, and expansionism by a single country. It also advocates multipolar global politics and a greater role for the United Nations in resolving disputes through negotiations. Furthermore, the NSC buttresses the ASEAN states' attempt to develop an East Asian norm that may constrain the use of force in intraregional conflicts.<sup>41</sup>

In its regional dealings, Chinese leaders espouse a doctrine of "win-win relations." Accordingly, China says it will not infringe on other nations' sovereignty, economic models, governance, and political culture. The bottom line is the mutual benefit of China and its ASEAN partners. In a way, this policy direction enhances a number of Southeast Asian states' core security values, such as political survival, economic security, sociocultural autonomy,

and a general reluctance to use or threaten to use force.<sup>42</sup> China's soft-power statecraft could, in turn, render American strategic initiative anachronistic, as Beijing's appearance as a peaceful, productive diplomatic partner constrains the value of U.S. naval superiority and the U.S. ability to intervene militarily in any security crisis involving China. In short, China may be proclaiming an "Asian Monroe Doctrine" in which "countries would subordinate their interest to China's, and would think twice about supporting the United States should there be a conflict in the region."<sup>43</sup>

As China reaches out with its soft power, Southeast Asian states have reciprocated and recast their views of Beijing. Most if not all of them consider China a good neighbor, constructive partner, and responsive status quo power bent on emerging peacefully in the region.<sup>44</sup> The same states that recently feared the prospect of China as a domineering naval military power now go out of their way to accommodate China's sensitivities. This change has occurred at the expense of the United States and, to a certain degree, Japan. In sharp contrast, the United States is increasingly viewed in the region as a unilateralist and interventionist non-Asian power asserting its military might and pushing an agenda not in sync with Asian values and interests. China can present itself against this perception as an emerging and responsible power that supports a multipolar and "democratic" international order in which states do not interfere in each other's affairs.

The formation of the East Asian Summit (EAS) in December 2005 represents the apex of China's efforts to lead the region. Formed under Malaysia's inspiration but with a strong Chinese hand, the EAS is the first major regional forum that excludes the United States. This approach incorporates the NSC's goal of smoothing China's relations with its immediate neighbors by fostering confidence-building measures and shaping a regional security environment without American participation. Thus, it has been observed that the EAS is an "emblem of a quiet consolidation of Chinese influence in the region at the expense of the [United States]."<sup>45</sup>

The formation of the EAS has reinforced the regional image of China as a good and reliable partner, while the

United States concentrates so much on other parts of the world that it allows itself to be excluded. Along with the EAS, increased Chinese trade and investment in the region accentuates the perception that the United States is relatively uninterested. It also fosters the calculation that closer links with Beijing may cause Washington to "reengage" and bring even more economic benefits to Southeast Asia.<sup>46</sup>

This calculation might have influenced Arroyo when, on the heels of her 2004 visit to China, she called on the ASEAN states to reduce their dependence on the West for markets and start promoting their economic ties with China through the ASEAN-China Free Trade Area.<sup>47</sup> She also called on China to invest more in the Philippines, especially in agriculture, fisheries, and infrastructure. Arroyo thanked Beijing for providing loans to the North Luzon Railway System and urged Chinese officials to conduct more joint exploration activities in the South China Sea, and she emphasized China's important strategic role in economic development and security in the Pacific Rim.<sup>48</sup>

In January 2007, the Philippines hosted the second meeting of the EAS in Cebu City. Sixteen heads of state attended the summit, which focused on enhancing energy security with biofuels, reducing the cost of renewable energy, and decreasing dependence on expensive crude oil. China set the agenda and

received most of the attention when host Arroyo openly declared: "We are happy to have China as our big brother in this region."<sup>49</sup> Conspicuously absent from the summit was a U.S. delegation, which "underline[d] how far America's preoccupation with the Middle East has weakened its role in East Asia, at the very time that countries in the region would look for more U.S. engagement to facilitate or balance the emergence of China."<sup>50</sup>

In the aftermath of the summit, Wen met Arroyo and key members of the Congress of the Philippines. During their short visit, Wen and Arroyo signed fifteen agreements to accelerate the two countries' economic and cultural relations. The two leaders also instructed their respective foreign ministries to formulate a joint strategic direction for the Sino-Philippine relationship in the twenty-first century. After the visit, the Voice of America

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observed that “the visit underscores the growing Chinese influence in the Philippines and the region. Premier Wen Jiabao’s visit to Manila was relatively low key, but during the trip he witnessed the signing of several development and trade deals worth billions of dollars.”<sup>51</sup>

## What Does It Mean? How Long Will It Last?

There has been dramatic improvement in Sino-Philippine relations since Mischief Reef, and even more since 2005. This improvement is in no small way a result of Beijing’s realistic calculation of its changing strategic needs in the region. Apprehensive about a possible U.S. response to what was then perceived as its creeping occupation of the Spratlys, Beijing decided to engage Manila, settle the territorial row by offering limited diplomatic concessions, and adopt an ASEAN-centric approach to the dispute. The bilateral relationship improved as China expanded defense ties with the Philippines in response to Washington’s revived post-9/11 security relationship with Manila.

China’s courtship provided the Philippines with convenient diplomatic leverage in the aftermath of the de la Cruz hostage crisis, which nearly ruptured U.S.-Philippine security relations in 2004. The Sino-Philippine bilateral relationship has now entered a “golden age,” with the Philippines a willing proxy in shaping Southeast Asia’s view of China. It seems that China is moving away from its soft-power diplomacy, however, as it increases its defense budget and develops blue-water naval capabilities. Determined to resolve the Taiwan issue forcefully and unilaterally as soon as possible, China is rapidly expanding its hard power. This shift in Beijing’s policy will affect its entente with ASEAN in general and the Philippines in particular.

Manila, for its part, is slowly taking into account Washington’s growing concern about its relationship with China. Long dependent on the United States for trade and military needs, Manila has to tread carefully in its dealings not only with Washington and Beijing, but also with Tokyo. Any polarization or heightened tension among the three major East Asian powers will force the Philippines to face the scenario it dreads most: choosing either its traditional and proven security ally or its newfound economic and political partner. In due time, Manila will realize that a relationship based on realpolitik is more fragile than one driven by shared values and ideologies.

For Washington, the dramatic improvement in Sino-Philippine relations is part of China’s overall diplomatic strategy of raising its profile and eroding U.S. influence in

the region. China has made progress in prompting many Southeast Asian states frustrated by the U.S. focus on the War on Terror to adjust their relations with Beijing. Indeed, China’s application of soft-power statecraft in Southeast Asia has placed it at the center of almost all regional issues. In the early 1990s, many Southeast Asian states saw China as a potential hegemon and strategic threat. Now these countries principally see China as a good neighbor, constructive partner, and status quo power. Although regional hopes are challenged by such gestures as Hu Jintao’s December 2006 statement that Beijing should develop a blue-water navy and China’s January 2007 anti-satellite missile test, Beijing still intends to replace Washington as a regional diplomatic leader.

While the United States remains Southeast Asia’s most important military actor, its power and influence are being gradually eroded by China’s soft-power diplomacy and hard-power buildup. Unless the United States develops a comprehensive strategy that includes economic and diplomatic resources in addition to military capabilities, its strategic and diplomatic preeminence risks being outflanked by China’s diplomatic gambit.

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*AEI research fellow Christopher Griffin and editorial assistant Evan Sparks worked with Mr. De Castro to edit and produce this Asian Outlook.*

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